

Direct Pay Data Request - 2007

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We also note that Blue Cross is planning to build a new building (Exhibit 5, page 18). How does this initiative affect the proposed Class DIR rates? How will this initiative affect Class DIR rates in the future?

Person Responsible : Lynch.J

Answer:

The proposed Class DIR rates do not include any administrative expense component associated with the development costs of the new building. The proposed Class DIR rates are therefore unaffected by this initiative. The new building will not result in total costs over and above those which would have been incurred if we decided to stay in our existing facilities and renovate them. Hence, we don't expect future Class DIR rates to be negatively affected. In addition, consolidating our operations into one building will produce long-term operating efficiencies, which may translate into future operating expenses to be lower than they otherwise would have been. Furthermore we consider the new building to be a good investment that fits well within our asset portfolio.

- c. N. Benoit, Esquire
C. DeWeese, F.S.A., M.A.A.A.
C. Koller, Health Insurance Commissioner

12/17/2007

AG EXHIBIT R